

phase of their peace process. It's a big step forward toward ending the long, long state of siege in the Middle East. And on this day of worship, a thanksgiving for so many of us, I thought that would be a good way to get this Sunday off to the right kind of start.

I want to thank you also for the support that you have given to me and to our administration. We are doing everything we possibly can to try to lift up the values of work and family and freedom and responsibility and community in this country, to move the economy forward, to tackle the tough problems, and to bring the American people together.

And I am gratified that with all of our difficulties, we see the unemployment rate dropping, more jobs being created. The crime rate, believe it or not, now is going down in all 50 States. And we seem to be coming together again as a country and looking toward the future again.

And so I want to say that, for me at least, every day is an enormous opportunity as we go through this period of historic change for America's economy and in the whole world, to try to elevate the things that all of you live by day-in and day-out here, to try to restore economic opportunity where it was taken away in the 1980's, and to try to give people the opportunity to make the most of their own lives and families and communities the chance to solve their own problems and realize their own possibilities. It is a great honor, a great joy. And for every day you have given me to be your President, I thank you.

God bless you all.

NOTE: The President spoke at approximately 10:55 a.m. at Wilkes-Barre/Scranton International Airport.

Remarks in a Question-and-Answer Session at the Godfrey Sperling Luncheon September 25, 1995

Godfrey Sperling. Well, Mr. President, what can I say, except it's wonderful to be over here. And as I've said before, in other times we've been at the White House, we'd love to have our breakfasts or lunches over here, maybe every week or two. Maybe Mike could work it out. *[Laughter]* But having said all that, we can get started. I hate to ask the President to sit down, but—*[laughter]*—

The President. Please, be seated, everyone.

Mr. Sperling. —that's what we do. Our ground rules—you've been to our breakfast before and lunch, whatever we want to call this today, and you know the ground rules; everything's on the record. And you've seen this bunch of rascals before, at least a few of them. And they haven't changed; they're the same ones that you've seen in the past. So I'm giving you a little warning.

So you all know, I understand there will be transcripts of this later in the afternoon. And beyond that, I just have to say welcome to you and thank you so much for coming to my 80th birthday.

The President. I'm glad to have you here. I would like to say just to begin that the Vice President and I are delighted to have you and your family here. It's a special day. Someone told me that you had done 2,800 of these now. And—

Mr. Sperling. Almost.

The President. I was trying to think of the significance of them. One of them is that I noticed from the breakfasts that I've been to, they are notoriously high cholesterol. And so you are—your very aging condition is a stunning rebuke to all of those who advocate healthy eating. *[Laughter]*

Mr. Sperling. I stay away from it.

The President. I don't know what the consequences of all that are, but it's a remarkable thing.

Let me also say, as you know, this is going to be a busy week around here. And you may have heard already, but in case you haven't, not too long ago, this morning, the Bosnian Government announced that they would participate in the resumption of the peace talks tomorrow in New York, which is very good news. And

we do have the best chance we've had, I think, since the beginning of the conflict now to have a peace agreement come out of this. And of course, later in the week we'll have the signing here of the agreement between the Palestinians and the Israelis in the next phase of the peace agreement there.

So I'm very encouraged. I think both these things are examples of the imperative for United States leadership. And I think the world's better off because of what's happened in the last couple of years. And of course, there are a lot of things at issue there, which you might want to ask about. But I don't want to take up any more of your time.

Mood of the Country

Mr. Sperling. Well, since I own the football, I usually ask the first question. You know, I was feeling quite perky over the weekend, Mr. President, with my birthday coming up and everything. And then I read in the papers, you know, we all were in a deep blue funk. And I just have to ask you, how did we get into that funk, and how are you going to get us out of it?

The President. Well, first of all, before you draw that conclusion, I would urge you to read the entire pool report, on which the stories were—

Mr. Sperling. They weren't good translations I read in the—

The President. No, but I was basically very optimistic and upbeat about it. What I said was that there are a lot of contradictory things happening in American life now as a result of the fact that we're going through a period of profound change, and as you know from the stories, I believe the biggest change in the way we work, live, and relate to the rest of the world in 100 years, since we became an industrialized, more urbanized country, and since we got involved in World War I.

And I believe that in this time, there are a lot of things that seem contradictory and that are unsettling to people. And the American people have basically helped me to understand that, especially in the last year or so, just going out and listening to people talk about their own lives. I'll give you just, if I might, a couple of examples. If I had told you 30 months ago, when I became President, that we'd have 7½ million new jobs, 2½ million new homeowners, 2 million new businesses, a stock market at

4,700, the largest number of self-made millionaires in history, the entrepreneurial economy flourishing, and the median wage would go down, that would have been counter-intuitive.

But it has happened because of the complex forces in the global economy. Or if you look at the same thing happening in our society, we've got the crime rate down, the murder rate down, the welfare rolls down, the food stamp rolls down, the teenage pregnancy rate down 2 years in a row, even the divorce rate down, but violent crime among teenagers is up. Drug use among people between the ages of 18 and 34 down, but casual drug use among teenagers up. So there are these cross-cutting things. And it's perplexing to people, I think, and they feel it in their own lives.

And I think that the challenge for us all is to basically keep working for the future. You can't get—these periods of transitions come along every so often, and I feel very good about it. I feel very optimistic about the country. I think if you were betting on which country is likely to be in the strongest shape 20, 30 years from now in the 21st century, you'd have to bet on the United States because of the strength and diversity of our economy and our society. But we have some very, very important decisions to make, many of which will be made here in the next 60 days.

1996 Election

Mr. Sperling. Mr. President, with the Republicans always trying to trip you up, and sometimes successfully, why in the world do you want 4 more years in the White House? Why not go home, you know, and go fishing?

The President. Because I believe that my vision of this country is the one that's best for the country. I believe that our policies best embody the values of the American people who want to see our country preserve the American dream and our country's ability to lead the world and want to see families strengthened, want to see ordinary Americans have the chance to make the most of their own lives, and want to, in the words of Governor Chiles from Florida, want to see us be a community, not a crowd, a set of people who don't just occupy the same space of ground and elbow each other until the strongest win and the weakest fall, but a group of people who believe that we're all better off when we recognize obligations to one another and act on those obligations within

our families and across generational and income and other lines.

So I feel very optimistic about the future of this country, but especially now, I think it's more important to run than it was 4 years ago. Four years ago I ran because I thought there was no action being taken to give us a new economic policy based on opportunity, a new social policy based on responsibility, and to try to bring this country together and change the way the Government works. Now I think the alternative vision out there is destructive of the future we want.

Mr. Sperling. Bob Thompson, I think, has a question. Then we'll move around the best we can. Carl.

The Presidency

Q. Mr. President, you've had 30 rather stormy months here. What are the lessons you've learned that you didn't know before about your office and its power and its authority?

The President. I think I had underestimated the importance of the President, even though I had read all the books and seen it all and experienced it in my lifetime. I think I had underestimated the importance of the Presidency as a bully pulpit and the importance of what the President says and is seen to be saying and doing as well as what the President does.

And I think that I underestimated—I had overemphasized in my first 2 years to some extent the importance of legislative battles as opposed to other things that the President ought to be doing. And I think now we have a better balance of both using the Presidency as a bully pulpit and the President's power of the Presidency to do things, actually accomplish things, and working on the process in Congress but not defining—permitting the Presidency to be defined only by relationships with the Congress.

But I must say, they've been a stormy 30 months. It's been a stormy time for the country, but if you look at what has been accomplished, I think the record has been good for America and will be good for our future. The economy is in better shape. We passed the toughest crime bill in American history, and it's plainly playing a role in driving the crime rate down throughout the country. When there was no action on welfare reform, we gave two-thirds of the States—I think more than two-thirds now—the right to pursue their own reforms. And we have lowered the cost and increased the availability of

a college education. We gave more kids a chance to get off to a good start in school. We've pushed school reforms that led to smaller classes, more computers, and higher standards. We've advanced the cause of the environment while growing the economy. And we've downsized the Government and made it more efficient, far more than our predecessors who talked about doing that but didn't. And if you look at the record in foreign policy, the world is a safer, more prosperous place today because of the initiatives we've taken, I mean, just in the last year, the efforts in the Middle East and Northern Ireland, in Haiti, the Japanese trade agreement, the North Korea nuclear initiative, the First Lady's trip to Beijing coming on the heels of the Cairo conference, and of course, the progress being made in Bosnia today. So it's a stormy time. But I think it's been a pretty productive time. And the American people, I think, are better off because of the things that we've done.

Mood of the Country

Q. Mr. President, I wanted to go back to the more philosophic view that you started out with and have been talking about recently, you've claimed that this is sort of a turning point, in 100-year cycles. Speaker Gingrich talks in those terms often also. And when we—in fact, was in the breakfast a couple of weeks ago—he talked a bit more in terms of the country has had several, seven or eight, cycles of history and that we're in a period now—he really compares it to the early 1930's. A new majority is being built, and he portrays it as that he's on the cutting edge of the new majority and last year's election and that you're—I think he referred to once as perhaps the last defender of German socialism, but that you represent the old big Government style and that he's the new style. Now, why—maybe you're both right. Is that possible?

The President. No. [Laughter] I mean, it's possible that there are elements in both our analyses that are right. But you know, as we say at home, that's their party line, and they have enough access and enough unity and enough discipline to spout the party line that they may be able to convince people of it. But it's blatantly untrue—I mean, to say that I'm the last defender of German socialism.

It is true that I don't approve of their plans to deny more children access to a healthy start

in school or putting more old people out of nursing homes or walk away from all the lessons we've learned in the last 20 years, whether it's preserving our environment or maintaining some human standards in the way we run these nursing homes. It's true that I don't think that we ought to—I don't think a good reform for the future is making it harder for young people to go to college, thereby ensuring a decline in the college enrollment rate and continued aggravation of the income differentials.

It's true that I don't believe that it's a great idea to raise taxes on working families making \$15,000 a year to lower taxes on me, the people in my income group. That's true; I don't agree with that. But to talk about German socialism is ludicrous.

Let me just—we had two Republican Presidents before I showed up. Who reduced the size of the Government more? There are 163,000 fewer people working for the Federal Government today than there were the day I became President, I might add, without one vote from a Republican in Congress supporting me. The Democrats did it; all the Republicans voted against it.

Who reduced the number of regulations more—16,000 pages of regulations reduced by the Vice President's program? We supported school reforms, like charter schools, which allow private groups of individuals to get a charter from school districts to run schools. I visited one of them in San Diego the other day.

Who gave more authority to States to pursue reforms in welfare and education—I mean, in health care? I did, more than the two previous Presidents combined. Who reduced regulation more in the Small Business Administration, the Department of Education, the EPA, you name it? We did. So that may be their line, but it's not the right line.

The truth is that I still believe that we have certain obligations to each other—that is really the difference—and that the Federal Government's job, to some extent, is to try to make sure that we are stronger as a community and that we give people an opportunity to make the most of their own lives and that we give their families and their communities a chance to solve their own problems and that when we walk away from that, experience shows us we pay a very high price.

So I think that if their view prevails, it may be more like the twenties than the thirties.

Russian Nuclear Cooperation With Iran

Q. Mr. President—[inaudible]—on to serious matters on foreign policy. Two things that so far you have been unable to solve, I want to ask you about them. Number one, the Russians are apparently sending not one, but four nuclear reactors to Iran. And there's a move in the Senate—in fact, the Senate passed an amendment last week—cutting off American aid to Russia if those reactors actually go to Iran. And second, the Russians have violated the CFE, Conventional Forces in Europe Treaty, although it only takes effect I think in the next couple of weeks. I think both parties have been honored to keep it. And you have said on both these issues in the past, sir, you have said we will not allow reactors to go to Iran and we do not think the Russians have any legal right to break that treaty. What is your position on those two issues right now, sir?

The President. Well, first of all, on the treaty, we are working very hard with them and where the two sides, I believe, are getting somewhat closer together. And I think if you talk—even the Europeans believe that some accommodation can be reached, some agreement can be reached on the Conventional Forces in Europe Treaty that is fair to the Russian position and still fulfills the purposes of the treaty. So I'm hopeful that there will be an accord reached there, and until we fail to reach one, I don't think I should comment further.

On the Iranian nuclear reactor, you know what our position is. We think it's wrong. The Vice President—maybe he wants to say a word about it—has worked very hard through the Gore-Chernomyrdin commission to try to work through this. You know, their position is that this contract was made at a previous time and that they are basically giving them the same kind of reactor we proposed to help the North Koreans build. And so they disagree with our position. Our position is the North Koreans have certain nuclear capacity, and we're building it down, why should we give the Iranians anything?

And so we're continuing to work with them on it. And I hope that ultimately we will be able to work this out. I do believe that a lot of these threats, given the present state of play in Russia and where their Duma is and the way they talk, may be counterproductive. I mean, it may not further the objectives that

the Congress seeks. Do you want to add anything to that?

The Vice President. Well, I think, you began by referencing a report on multiple reactors that I think was based on a news story that was garbled in the telling. And we can go into more detail later on that one. I just urge you not to give too much credence to that particular report.

But as the President said, the dialog is continuing, and they've agreed to—

Q. They're not sending—they're not sending the reactors—

The Vice President. You mentioned four reactors, that was—well, the one negotiation is the one that is still the subject of our dealings with them. It antedated our time in office, but they have agreed to continue a dialog on possibly canceling that sale. It is, as the President said, not a violation of any international law or treaty. Notwithstanding that fact, they understand the seriousness with which we do it. We're pressing it very hard. We do not accept that it is a good thing for them to do, and we hope to be able to convince them to back off it.

Wage Levels

Q. Mr. President, if during the first 3 years of your administration, the economy has basically been doing well but the median wage has been going down, then that suggests that whatever it was that you were doing for the economy, especially when the Democrats were fully in control of Congress and the Presidency, was not enough. Now, if you were re-elected, what would you do to help the average working person in the country? And what would you be able to do, especially if the Congress remained in Republican hands?

The President. Well, first of all, what I suggest is that, keep in mind, these trends of wage stagnation go—depending on whose numbers you look at—go back at least 15, and perhaps 20, years. So I think it's unrealistic to think that you can turn them around in 2 years. But I believe there are certain things that we need to do.

First of all, I think that if we can—the expansion of trade, which we have pushed, has generated about 2 million new jobs. On average, those have been higher wage-paying jobs. I think we need to do things that change the job mix. That is a slow but an important remedy. So that a high percentage of the total number of

jobs in America have a higher average income. In order to do that, we not only have to continue our trade policies, we must continue to invest in research and development and in new technologies.

Now that has been something that hasn't been noticed at all in this budget debate. But one of the quarrels I have with the congressional budget is that it takes our R&D budget down by roughly six-tenths of a percent of GDP. And a lot of Republican high-tech executives are very concerned about it. They believe it will lead to a loss of America's position in a lot of important industries over the next 5 years. So changing the job mix is an important part of it.

Continuing to get a higher and higher percentage of people in education is an important part of it. I have given the Congress one proposal, which I thought looked very much like a Republican program, which I expected them to embrace, the so-called "GI bill" for America's workers, in which we proposed to consolidate 70 Labor Department training programs and not block grant them to the States but give them in the form of vouchers to unemployed people and welfare people so that when people lose their jobs, they can immediately go back to a new training program.

Thirty years ago, 80 percent of the people who were laid off from work were called back to their old jobs. Today, 80 percent of the people who are laid off are not called back to their old jobs. And it's bad for employers and for employees—because employers pay unemployment—bad for employers and employees to let people traipse around looking for jobs when what they really need is to immediately be in a retraining program.

I think we should raise the minimum wage. It's going to go to a 40-year low if we don't. I think we should avoid gutting the earned-income tax credit for working families. I think that's one of the two or three worst things in the congressional budget. It will aggravate income inequality.

And I think, frankly, the proposals that we have endorsed that the Congress is working on from the Jordan commission will have some impact. If we lower the aggregate number of legal immigrants coming into the country, even by a modest amount, it will free up more jobs to people who now don't have any, and it will tighten the labor market some.

I talked to the Governor of Nebraska the other day, the State with our lowest unemployment rate, and I said, "Do you think when we're creating all these jobs, it's going to ever raise wages?" He said, "Yes." He said, "I just don't think the markets are quite tight enough in the country." He said, "In Nebraska, wages are up, and even at the places that used to not give benefits—fast food places—they're all giving health care benefits now and wages are up." So he said, "I think if you can get the unemployment rate down maybe another half a point, you can get that done."

So those are my ideas for raising the wages levels: change the job mix, improve the training, continue to expand trade, raise the minimum wage, and have a modest reduction in the number of legal immigrants. We'll still be a country of immigrants, but we should lower the total. We raised it, after all, dramatically, in 1990 to help deal with the cold war. We've done a lot of that, and I think we should come back down now.

Colin Powell

Q. Mr. President, how do you explain the Colin Powell phenomenon?

The President. That's your job, not mine. [Laughter]

Q. We need help. [Laughter]

The President. No, you do just fine. I'm the President. [Laughter]

President's Popularity

Q. Mr. President, you started off with a great laundry list of things that have happened in your administration so far, and yet, we had a Republican dominated Congress come into office last fall. And there's a lot of animosity toward you personally out there in the public. How do you account for that?

The President. That requires political analysis, too. Look, I took on a lot of tough issues, and I made a lot of people mad. You know, look at what they said about my economic program in 1993. They tried to convince every American I'd raise their income taxes when I haven't. They said it would bring on a recession.

You all ever ask them when they're having their press conferences how they won the Congress on a false premise? They said, you know, it was going to be the end of the world if—the end of the world if the Clinton economic program were passed, we'd have a terrible recession.

Instead, we had the best economic performance we've had in two or three decades.

I made a lot of people—you know, the House—I still believe if you analyze those races, race by race by race, the House of Representatives is in Republican hands today because we took on the Brady bill and the assault weapons ban. And everybody knew they were unpopular. People said to me, "Don't do this. There's a reason no President has ever taken on the NRA. There is a reason for this. I don't care what the poll says, the people who are against this will vote against everybody who votes for it, and the people who are for it will find another reason to vote against it. They won't have any convictions. Only the antis will have convictions." But I'll tell you something, 40,000 people last year didn't get guns because of it, 40,000 people with criminal records.

And if we keep a few Uzis off the streets and out of the schools and we keep a few more innocent kids from being shot down at bus stops, it was worth it. You know, I had the same argument here on the tobacco thing. They said, "You've got to be crazy. There's a reason no sitting President has ever taken these people on. They'll scare all those good tobacco farmers to death. They'll vote out Democrats. They'll say you're trying to have the Government take over people's lives. Don't do this. This is a dumb thing to do. I don't care what the polls say. They'll all be against you, and the people that are for you will find another reason to vote against you."

Q. And—

The President. And—let me finish. You asked this question, I want to—and I believe—you know, we know 3,000 kids a day start smoking. We know that—at least we know some of those tobacco interests have known for 30 years it was destructive and addictive. We know 1,000 of those kids are going to die early. If you want to do things, you've got to make people mad. And if the people you make mad have access to television programs, radio programs, access to channels of communication, they will go wacky, and they will generate animosity.

Now, I will say this, my sense is that the level of personal animosity has gone down as people see who's really fighting for real family values and real interests of American families and real interests of small business and trying to give ordinary people a chance to make the most of their own lives. But you know, I did

not take this job to try to maintain high levels of popularity.

You go back and look; I had a very specific agenda I was going to try to implement. And I was well aware that people would be against it. Look at this—look at this budget debate on the student loans. They even went through an accounting gimmick to try to convince people that the direct student loan program was more expensive than the guaranteed student loan program, when everybody in America knows it's not true. Why? Because they want to take money away from students and give it back to bankers.

Well, the people that lost their money weren't happy. The people that were going to benefit from the student loan program—there weren't enough of them to know that at election time. I think the main thing that we all have to do is to figure out what we believe and fight for it and be willing to work together with people who disagree with us, if we can find honest common ground. And we'll let the popularity take care of itself. I just tried to do what I said I would do when I ran.

Q. Just to follow up, do you wish, in retrospect, you might not have taken on a few of those, like gays in the military?

The President. Well, to be fair, I didn't take that on. That was an issue that was visited on the Presidency. I mean, I could have said, "We'll just let the courts go through that." But let's talk about that. That's become more of a slogan than a fact. The position I took, remember, was not that we should change the rules of conduct, which prohibited homosexual activity, but that we should not ask people or persecute people for their failure to lie about their sexual orientation. That position was endorsed by Barry Goldwater and by most of the combat veterans of the Vietnam war serving in the United States Congress.

Now, the military thought it went too far, so what did we do? We changed the position. We studied it for a few months. We changed it. We wound up with a position with which we fought two World Wars, Korea, and Vietnam. We did not bring an end to military order in our time. All we did was to change the position that was put in in President Reagan's tenure.

And look, the United States Government was covered up with lawsuits. We were losing lawsuits. I suppose the easy thing to do would say, "Oh, well, let the courts go forward." I was

trying to find a way to put an end to this so that the military could just put this issue behind it and go on being the world's best military. And you may disagree with the position I took or the position that we came out with, but the position we're in now is roughly how we won two World Wars and fought through Korea and Vietnam. It's hardly the end of civilization as we know it.

And the other position would not have been either.

Q. [Inaudible].

The President. Well, I didn't have any choice. The people who brought it up were the Republican Senators. They made it their number one legislative—go back and read the chronology of how all this came up. They stirred it and swung it and made sure it was the number one issue of the world. Do I wish I had never taken a position on it? You know, I often say what I think. My position on this was basically taken in the campaign when someone asked me about it. And by the way, don't forget one other thing. There was also evidence which was being put into all these court cases that the military knew that they had some gay service members who were permitted to serve in Desert Storm because they were needed and they were good service members, and then they were kicked out, which I thought was not a very good thing. All this happened before I showed up.

Civil Rights

Q. Mr. President, your home State in 1968 voted for George Wallace, the State that produced Orval Faubus, Little Rock Central High School. Even your severest critics—[inaudible]—acknowledge your own long and strong commitment to civil rights. Do you think—[inaudible]—see the country change, that America is ready to elect a black President?

The President. I would hope that the American people could evaluate any candidate without regard to their race or their gender. And I would hope that that would be the case. You know, that's the way I've lived my life. That's the way I've staffed my administration. That's the way I've done my work, and that's what I hope is the case in this country.

Debt Limit Legislation

Q. Mr. President, Speaker Gingrich has—[inaudible]—unilateral right to refuse to schedule a vote which would then suspend the raging

debt limit. Does that create problems for you—both the procedure where the Speaker claims a unilateral veto and the threat to raise the debt limit?

The President. Well, I think it's wrong. I mean, I think it is wrong not to raise the debt limit. The United States in over 200 years has never defaulted on its debt. We have paid our debts. We have been an honorable citizen in that sense. And it is simply wrong.

I would also say it would ultimately be self-defeating. If what the Republicans in Congress want to do is to balance the budget, rather than to destroy the Federal Government, then I share their goal. And I have given them a balanced budget plan, and my door has been open from the beginning to work with them on that.

If we were to default on our debt, you have seen already in other countries, in events just in the last 12 months, how rapidly the financial markets react to such things. And what they would do is to say that the United States is no longer reliable. Then the cost of carrying our debt, the interest rates, would be raised, and that would make it harder to balance the budget. We'd spend more and more and more of taxpayers' money on interest payments on the debt and less and less on national defense or education or anything else. It's ultimately self-defeating, and it's wrong and it's irresponsible and it's not necessary.

We can reach an accord here on balancing the budget. But there is a process that we have to go through to do that. We are not going to have a unilaterally dictated budget; we are going to have a discussion about it. And as I said, more than any Democrat in many years, I've shown not only a willingness but a desire to make the Government smaller, less bureaucratic, more entrepreneurial, and to target investments while reducing unnecessary spending. We can make this work.

But blackmail is not they way to do it, and I'm not going to be blackmailed. And I'm not going to just sign a budget that I know will put people out of nursing homes or deprive people of the chance to go to college or children the chance to be in Head Start or compromise the environment. I'm not going to do that; I'm just not going to do that. We can get a balanced budget that the entire financial world thinks is a great thing. But it has to be done in an honor-

able way, and defaulting on our debts is not an honorable thing to do.

NAFTA

Q. Mr. President, just to follow up on your remarks here about the trade policy. The initial Commerce Department numbers indicate a modest dropoff—[inaudible]—NAFTA. That was expected. What wasn't expected is that what was a U.S. trade surplus with Mexico has become a trade deficit. Given the job loss and given the worsening trade numbers, has NAFTA turned out to be a worse deal than you expected? And politically, given the strength of economic nationalism in many parts of the country, do you have any fear that NAFTA is going to end up hurting you in a lot of key industrial States next year?

The President. Well, let's analyze it. Let me answer the question on the merit first. What happened in the short run was that NAFTA was a much better deal for us in the first year than we thought it would be. We had a much bigger trade surplus than we thought we'd have. We generated far more new jobs than we thought we would, and they were basically high-wage jobs. And because of the financial difficulties of Mexico, which were unanticipated, it turned out to be a worse deal in the second year than we thought it would be. And because we ran a trade deficit, which we did anticipate once the Mexican economy went down, we have a slight net job loss.

Does that mean NAFTA was a mistake? No, for two reasons. Number one, if the Mexican economy had gone through what it has just gone through without NAFTA and without the trading relationship with the United States, they would be in even worse shape. We would have a bigger illegal immigration problem. We would have a bigger period of instability down there. Democracy would be more at risk in Mexico. And we would be worse off than we are with NAFTA.

It is unfortunate that the Mexican economy—that they tried to expand it too fast and in some ways it were improvident and they didn't cut back in an election year. And then, from my point of view, there was an overcorrection by the financial markets. They punished them too much. But still, we are better off vis-à-vis Mexico than we would have been if NAFTA hadn't passed. If NAFTA hadn't passed we'd have a trade deficit with Mexico this year be-

cause they wouldn't be able to buy anything from us.

The second reason it was the right thing to do is, in a period like this where things are changing so rapidly, you cannot calculate from month to month or year to year. If you look at 10 years from now, 20 years from now, 25 years from now, it is plainly the right thing to do. A strong, stable, healthy, democratic Mexico with a sensible economy is plainly in our interest. It will stabilize our borders. It will help us economically. And it will promote our goal of a world trading system and a world moving toward democracy and peace. So I think it's the right to do.

On the politics of it, it was always a political risk for a Democrat to do what I did on NAFTA. But I believed in it. And it was one of the changes I thought the Democratic Party had to go for, not to give up fair trade, which is embodied in the Japanese trade agreement, but to go for free trade as well, to go for more open trade. It's just what I believe is the right thing to do, and I'll live with the political consequences.

Capital Gains Tax

Q. Mr. President, I'd like to ask you a question that I hear a lot of people around the country asking, and that is, would the cut in the capital gains tax that is enacted by both the Senate and the House in itself be reason enough for you to veto a bill that contains those provisions?

The President. I probably should be a little chagrined to admit this, but I am not absolutely sure what the precise provisions were of their tax. Let me say this: I believe my obligation is to try to reach a balanced budget. There will be a tax cut in this balanced budget. I want the tax cut, as much as possible, directed toward people who are out there working for a living, dealing with the economic uncertainties in the marketplace, trying to raise their children and educate themselves and their children. That's what I believe.

I also believe that we have provided quite a good environment for investors in this country. As I said, we have more self-made millionaires in the last 2 years than any comparable time period in American history, and the stock market is at 4,700. You know that I'm not philosophically opposed to all capital gains taxes because we had a capital gains tax in the '93 eco-

nomic plan that cut the tax rate 50 percent on people that invested in new or small businesses for 5 years. And I was prepared to go with the Bumpers bill, which would have taken it down to zero, if the investments went longer.

So, my answer to you, sir, is it depends on what form the capital gains tax is in in the final bill and how it works and will it really fulfill our objectives. What are our objectives? We want more jobs and higher incomes. If it's consistent with an overall package that gives more jobs and higher incomes, certainly I would consider that. I would be obliged to consider that. I cannot tell the Republican majority that they have to consider compromising with me and then we not considering trying to reach out to them. But the test should be, does it give you jobs and incomes? That's really what we need to do in this country.

Mood of the Country

Q. I just wanted to return to the original question—[inaudible]—asked about the funk that the Nation appears to be in. And I wonder if you could explain to us what your point is there and what it is a President can do about a nation that's in a funk? And are we going to see any more appearances of the Blues Brothers? [Laughter]

The President. If I thought it would help, I'd sure do it.

Last year, last November, plainly the country was in kind of an anxious mood, a negative mood, a frustrated mood about the Government. And I was saying that I thought that one of the reasons that it happened is that I had inadequately fulfilled—to go back to the first question that was asked back here—I had inadequately filled the first responsibility of the President, in terms of the bully pulpit, in terms of trying to say, here's the change we're going through. Here's how I think it's going to come out all right. Here's my vision for it. Let's do this based on our fundamental values of work and family and responsibility.

I think the country is sort of moving into a more positive frame of mind as we see more and more good economic news and as we see more and more evidence that some problems we thought couldn't be solved, you can actually make progress on them. I mean, 5 years ago, if you had asked people, do you think you could ever bring the crime rate down, they'd probably say no. Well, now the crime rate's going down

in virtually every city and State in the country, largely because people have figured out that these community policing strategies, among other things, really work.

So what I'm saying is, what I think we have to do is to be optimistic about the future. But to do it, we have to understand that the news—we live in a good news/bad news time, like all tumultuous times. And we have to understand what we have to do to get more good news and what we have to do to attack the bad. And I think once you understand that, that increases your level of security and your level of optimism. And this country thrives on optimism. We have to maintain our optimism.

These problems we have are not insoluble. But we have to just keep that upbeat outlook. And I sense that more and more people are looking at the future in that way and balancing the scales in what I would consider to be an accurate way. And I think it's because the American people are pretty smart and they are sensing all these things in their own lives.

Medicare

Q. [Inaudible]—lead editorial accusing the House Democrats of demagoging the Medicare issue. Are you concerned that the tactics taken by the House Democrats are losing the battle of public opinion? And how would you characterize your view on Medicare vis-a-vis the House Democrats?

The President. Well, I think institutionally we have different responsibilities. And you can see that, I think, by the way the majority carried out their responsibilities when they were in the minority.

My job, I believe, is to present a balanced budget, and I have done it. My job is to present an alternative plan for Medicare and Medicaid which will be part of a balanced budget and which will also help the Medicare Trust Fund to lengthen its life. That is my job.

Historically, minority parties in the Congress have thought that their main job was to point out what they disagreed with with the majority's proposal. And that is, after all, what the people who are now in the majority did for the last 2 years before they became the majority, on every conceivable issue.

Now, so the idea that they should fashion an alternative is—there are cases in which they have—they did have an alternative welfare reform bill, for example. But I think in the end

they will be voting for an alternative. They think their job right now is to point out some facts which have been lost in this debate. For example, let's just take the Medicare issue. The congressional majority relies on the report of the trustees in Medicare coming out of the HHS process. They say Medicare is in trouble, and we have to help it. And we have, as you know, added 3 years to the life of the Trust Fund in the first 2 years of my administration.

But then they say—we agree with them on that, but they're not right about medical inflation, and they're not right about how much it costs to fix it. So what the Democrats are pointing out is that basically that the Republican proposal cuts Medicare 3 times as much as the trustees say is necessary to stabilize the Trust Fund and that at least half of the Medicare cuts are coming from beneficiaries, out of a pot that has nothing to do with the Trust Fund.

So that since a lot of these people live on \$400, \$500, \$600 a month Social Security, these proposals, if you look at the Senate proposal, these proposals will in effect lower their income by 5 to 10 percent in the context of a budget which will raise the income of some of the wealthiest people in the country by cutting their taxes. Now, I think that's a very useful thing for them to be doing. As long as we know that in the end we've got to balance the budget and bail out the Trust Fund, it needs to be pointed out that the Medicare cuts are 3 times what is necessary to fix the Trust Fund. And it needs to be pointed out that the impact, therefore, is to lower the incomes of the elderly poor while we're going to raise other people's incomes.

Q. Why do you suppose that the Washington Post and other normally sympathetic newspapers and other institutions see that as demagoguery?

The President. Well, you'd have to ask them. But I think that part of it is, they see that, over the long run, this entitlements question is going to have to be dealt with. And so they figure that anybody that—they just want to see as many proposals as possible dealing with the entitlements question. I agree with that.

But keep in mind—let me just say—there are two issues here in Medicare that shouldn't be lost, and I don't want to overcomplicate this. The first question is, right now, from now until the end of the decade and into the first few years of the next century, let's stabilize the Medicare trust fund so that we get back up to where

it normally has been over the last 30 years. You know, let's get—we ought to—excuse me—ought to always have a life of, you know, 10, 11 years, something like that to stabilize it.

The second issue is a very big issue, but it's totally unaddressed here, and that is what happens when the baby boom retires and how will that change things? There ought to be a long-term effort to address that. But that is not addressed by any of these proposals here, and so we shouldn't confuse them.

Colin Powell

Q. Mr. President, I realize this is probably our job, too, but I wonder if you would help us and tell us what you think is the defining difference between you and Colin Powell?

The President. Near as I can tell, he's—I will tell you this. I was grateful for his statement—and this is no criticism of him to say this, I want to emphasize that—I wish that more Americans who agreed on the assault weapons ban and the Brady bill had been out there last November. It might have made a difference. But that's not a criticism of him because he's coming out of a period of military service when he didn't feel that he should be a public spokesman.

I was grateful for what he said about abortion, that he didn't want to criminalize it, but that we should reduce it and emphasize adoption more because that's what I've worked very hard to do. And the First Lady's emphasized that, and we've done a lot to facilitate, for example, cross-racial adoptions and things of that kind.

I was grateful for what he said about affirmative action, because I believe in the kind of affirmative action practiced in the United States Army, and I don't believe it constitutes quotas or reverse discrimination or giving unqualified people things they shouldn't have.

So all I can say to you is that on those statements that he has made, I am profoundly appreciative. I think it's helped America to stay kind of in the sensible center and moving forward instead of being pulled too far in one direction or the other.

Speaker of the House Newt Gingrich

Q. Mr. President, I know you have many defining differences with Newt Gingrich, but what is your working relationship like with him? Do you find it productive? And secondly, do you think you'll be able to come to agreement on

most of these big issues this year, whether it's Medicare, welfare, the budget, tort reform, maybe even regulatory reform?

The President. Our personal relationship has basically been candid and cordial. And I've enjoyed our conversations, and they're basically—our private conversations are basically free of political posturing; they're candid, and they're straightforward. I'm sure that I do things that frustrate him, and sometimes he does things that frustrate me. I think this debt ceiling issue is wrong. And I think when he shook hands with me in New Hampshire on political reform and lobby reform and said we'd appoint a commission, we should have done it. I mean, that frustrates me. But we have, I think, a basically a decent working relationship on a personal level.

Do I think we'll reach an agreement on most of the issues? I do. I believe in America. I believe in the process. I believe that it's time for us to adopt a balanced budget. I think it's the right thing to do. But it is time to adopt a balanced budget consistent with growing the economy and growing the middle class and shrinking the under class and making this country stronger, which means we can't just turn away from things like education and technology and research. And it's time to do it consistent with our obligations to our children and our parents, which means we can't turn away from what we should be doing on the environment, for example.

So I think—but do I believe we will get an agreement? I do. This country's not around here after all this time because we let the trains run off the tracks. It's around here because people of good faith who have honest differences find principle compromises and common ground. And that's what I think will happen here; that's what I believe will happen. I think there's too much energy in the country saying, make this country work and move this country forward, for us to turn back.

Q. So you expect to have a series of signing ceremonies—

The President. I do. I think there will be some—there may be some vetoes first, but I think in the end, we'll reach accord. That's what I believe will happen.

Legalized Gambling

Q. Mr. President—[inaudible]—this morning on the spread of legalized gambling. More and more cities and States are relying on it as a

source of income. And at the same time, there's been an increase in the social consequences of gambling, has prompted Senators Lugar and Simon to call for a Government commission on the subject. One scientist estimated that three dollars in social costs for every dollar that the States and cities take in. What's your position on legalized gambling? Are you for a national lottery, or—

The President. No.

Q. —or are you somewhere down the line?

The President. I've always been against it, all my—

Q. What's your feeling about this?

The President. Well, first of all, let me just say, I mean, this is another one of my unpopular positions, I know, because it's very popular everywhere, because it looks like easy money. It's tax money that doesn't seem to be tax money. People give it up freely, instead of by paying—you know, filling out a form. But let me give you a little background.

When I grew up in Hot Springs, Arkansas, until I was a teenager, my hometown had the largest illegal gambling establishment in America. And it was basically permitted to operate with a wink and a nod from the State and local law enforcement officials. The only good thing about it being illegal was that it kept all the national syndicates out of it. It was sort of a homegrown deal that had existed for many, many years, going back to the twenties. But I'm quite familiar with this. And then there was a move to legalize it in the late sixties, which failed a vote.

And then when I was Governor, we had another vote on legalizing gambling in very limited ways and in just certain places. And I opposed it, and we defeated it again. And we did it because I believe that it disguised the social costs and because I believed it was not a good way to raise public funds. The lotteries are not so onerous; they're much more—they're more benign than other legalized gambling, I think. And States obviously have a right to do it.

But I wouldn't favor a national lottery because all we'd do is just saturate the market. We would weaken the States that are already doing it. We'd be taking money away from them and complicating it. And I don't favor any other kind of national legalized gambling efforts just because, based on my own personal experience and what I saw and what I know are the side effects, I just would not be in favor of it.

Q. Do you support the commission? The idea—[inaudible]—Federal commission?

The President. I would be glad to consider it. This is the first I've ever heard of it so I don't have an opinion.

Bosnia

Q. Mr. President, if NATO air strikes have helped advance the cause of peace in Bosnia, in hindsight should we have done this earlier?

The President. Well, as you know, the United States was willing to do it earlier. And I think we—let me—let's review the last 2½ years. We had a pretty peaceful 1994 because of the threat of NATO air power. We had a pretty peaceful 1994. The death rate went way down in Bosnia. But there was no progress made at the negotiating table. And then the Bosnian Serbs determined that they could take hostages and avoid the threat of air power. And they wound up doing it, and it worked. That is, we were unable to persuade our allies to take action through the air until after Srebrenica and Zepa fell. Then the London conference occurred. There was a renewed commitment, and I was convinced at the time that our allies really meant it. And that air action combined with the diplomatic initiative of Dick Holbrooke and the members of his team and the gains on the ground of the Croatian and the Bosnian armies, all those things together contributed to the circumstance which we have now.

So if there had been a stronger allied response earlier, would it have made a difference? I think it quite likely could have. But I—and, you know, we can revisit that. The main thing we need to say is that we have a chance now to make a decent and an honorable peace. The changes on the ground, the diplomatic mission, and the bombing campaign all contributed to it.

Two-Party System

Q. Mr. President, you've mentioned the frustration in the country. You think that one of the things you're going to be dealing with next year is a climate politically where people don't like either party, where basically it's sort of "a plague in both your houses." And how do you really—how do you deal with that? Isn't that one of the reasons for the increasing popularity of people like Colin Powell?

The President. Well, I think, first of all, if you look historically, that is not an atypical de-

velopment in a transition period, because the debate becomes wider and people become more open to different things. Some of them are quite good and sensible; some of them are, in my judgment, too extreme. But we had, I think, four parties on the ballot in the 1948 Presidential election, just to mention one period of transition.

Both psychologically and substantively, things, you know, began to be more open. I think in this time period—I think the—you know, when people have 50 channels on their television station at night, if you say would you rather have 3 parties instead of 2, it's pretty obvious what the answer's going to be.

And the third thing I would say is—and this is a challenge that I think, frankly, those of you who are in the print media can perhaps help us to meet. The information age is a mixed blessing for serious public policy and politics, because the pressures on people who live in Washington to speak in terms that aggravate the differences and simplify the issues so that they can get their 10 or 15 seconds over to the American people at night are enormous. And sometimes it benefits one party, sometimes it benefits another, and they win a big election victory over it. But the aggregate impact of it is, if it doesn't quite resonate with what people think is the whole truth—all the facts—is to make people disillusioned with the process, even as they reward people who may be kind of shaving it in ways that are not good.

So, one of the things I'm looking forward to in the next election is to try to restore what I thought we had in 1992, that I thought was so good, you know, the town meetings, the debates and the different formats, the debates in which people were involved and could ask their questions. All those things, I felt, helped to restore people's faith in the system.

So I do believe—one thing I agree with Speaker Gingrich on, I think that over time, the American people have been well served by basically having two stable political parties.

But I would remind you that one reason that's worked is that both parties have had a rather broad tent. They have had philosophical convictions. There have been clear differences, but they have made room in their parties for people of different views so they could make principle compromises and keep moving the country forward.

I think that is what has worked best for America over the long run. The American people will be the final judge of what will work best in the future.

Campaign Finance Reform

Q. Mr. President, we've been talking, really since—[inaudible]—first question about the frustration, and you've answered somewhat philosophically. There's one thing that hasn't really changed since 1992 and that's the way we raise money to pay for this thing. You spent much of last week, some of it in semi-private forums, basically building your kitty so you could run next year, before the public money kicks in. Isn't there a better way? And isn't some of the frustration that we see in the country related to the cynicism that develops from the way we fund our politics?

The President. I believe it is, of course. And I think some of the things that were done in 1974, in an attempt to promote reform after Watergate, in a curious way, within a period of 20 years, may have made the process worse because it tended to mean that a higher percentage of fundraising, particularly for Members of Congress, was more concentrated around specific issues. So that I don't think that's what the people meant to do in '74, but I think it had the—you know, devolving things to PAC's and all that gives the appearance, if not the reality, that more and more of the fundraising is tied to specific decisions. And I don't think that's good.

And I did what I could to persuade the previous Congress, as you know, unsuccessfully, to pass campaign finance reform. And I thought that in this Congress, the only way we could do it is if we had some sort of commission, like the gentleman from New Hampshire suggested, kind of a base closing commission, which would in effect bring both the parties together. I still think that's a good idea.

I have done everything I know to do. I wrote the Speaker back; I accepted his offer. I even named two people that I would have participate in the commission. I cannot force Congress to do this. But I believe we would be better off. I think the Presidential elections—I think in the general election, I think the American people—there is one other problem here, though, to be fair, and that is, the American people themselves have very ambivalent feelings about public financing. They can—and the people that

are against campaign finance reform can always say, "Can't you think of something better to do with your money than give it to a politician?"

So I think, to make the next steps—that's why I was hoping a commission would also spark a lot of public debate here. But I do believe that in the general election, like in 1992, when it was all publicly funded, everybody had a fair chance, and we devoted a lot of our time to these more open discussions and not just the sound bites, I think public confidence in the institution rose. And I think that when Congress is dealing with issues and, simultaneously, people see the fundraising going on, it sparks cynicism even if everybody is in there doing exactly what they believe, even if you read it in the best times.

So I still believe campaign finance reform is important. I can't think of any way to get there except a commission. And I still hope the Speaker will accept my offer again and act on it.

Mood of the Country

Q. Well, Mr. President, I've come here today thinking that the Nation is in somewhat of a funk. You've just about convinced me otherwise. [Laughter] And so, in view of the way Pat Caddell hung "malaise" around Jimmy Carter's neck back in '79, an editorialist may be having a lot of fun with "funk." I wondered if possibly that was a bad—not an accurate word, or would you maybe change it?

The President. It was no doubt a poor choice of words. And it was more of a characterization of how people felt a year ago, maybe, than they do now. But I do believe—to be fair, what I think is that times—we all are for change in general, but we tend to oppose it in particular. That is, there's a limit to how much change that almost any of us can endure in our own lives at one time. And what I really do believe has happened is as people go through these kinds of sweeping changes in the way they live and work and the way their nation relates to the rest of the world and apparently contradictory events occur, you know, we just have to—I think that there needs to be an extra effort to keep the American people positive about our future, upbeat about our prospects, and realistic

about what our opportunities as well as our problems are. And I think it will be difficult to convince people that I am advocating the politics of a national funk—[laughter]—because, you know, it's so inconsistent with my own outlook toward life and the way we try to do things around here. And so I'm hopeful.

I hope I didn't—I hope I served a valuable purpose with that rather long discourse. And again, I would urge you all to read it because I was trying to explain to the people who were on the plane and through them to all the rest of you, because I figured they'd write it up in the pool report, kind of how I have analyzed this period, but not because I'm down about the prospects of the future. I'm, to the contrary, quite optimistic.

Mr. Sperling. Mr. President, we are told we have to close this extraordinarily fine—

Q. One followup.

Mr. Sperling. I'd really like to—I'd like to close the session early. And what I want to talk about it is how grateful I am that you're sitting down with a bunch of us print journalists, because we see you again and again on television—[laughter]—and yeah, we're not that bad a lot. And I think it's worthwhile. [Laughter] I hope you come in again. And thank you so very much.

The President. Thank you. Now, wait, wait. We're not done yet.

Mr. Sperling. We're going to take care of Rollie?

The President. No, we're going to take care of you. [Laughter]

Mr. Sperling. Sorry, Rollie, I had to—

The President. Now—but we're going to do what Rollie wanted to do in the beginning. Come on. Are we ready?

[At this point, a cake was brought in, and the group sang "Happy Birthday" to Mr. Sperling.]

NOTE: The interview began at 12:40 p.m. in the State Dining Room at the White House. In his remarks, the President referred to Gov. E. Benjamin Nelson of Nebraska and Assistant Secretary of State for European and Canadian Affairs Richard Holbrooke.